USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 10/31/2007

GAIN Report Number: KS7069

Korea, Republic of

Grain and Feed

Grain Trade Report

2007

Approved by:
Lloyd S. Habert
U.S. Embassy

Prepared by:
Sunchul Choi//Michael G. Francom

Report Highlights:
Imports of high-priced feed wheat are forecast at 500,000 MT, down for the second straight year as compound feed manufacturers switch to less expensive alternatives. In contrast, milling wheat imports are expected to remain steady at 2.2 MMT. Korea's domestic livestock and food processing industries are heavily dependent on imported corn, and have few alternatives. Consequently, corn imports are expected to remain steady at 8.8 MMT despite high market prices.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Quarterly Report
Seoul [KS1]
[KS]

Table of Contents

WHEAT

Consumption:

Total wheat consumption is expected to continue its downward slide for the second straight year. Consumption for MY 2007/08 is forecast at 2.8 MMT, down about 400,000 MT from last year. This decrease in total consumption is mainly attributed to declining imports of high-priced feed wheat. In response to higher feed wheat prices last year, Korean compound feed producers switched to less expensive imported feed corn, DDGS, soybean meal and tapioca. Feed millers are expected to further increase consumption of less expensive imported DDGS and tapioca this year.

In contrast, milling wheat consumption has remained fairly steady since there are few alternative ingredients for noodle and bread manufacturing. The high cost of milling wheat, which topped $400 per MT in October, is being passed on to Korean end consumers.

Korea: Post Estimates of Wheat Use (1,000 MT, July/June)				
Year	2004/05	2005/06	2006/07	2007/08 a/
Milling Wheat	2,272	2,184	2,172	2,200
Feed Wheat	1,107	1,435	1,063	600
Total	3,379	3,619	3,235	2,800

Source: Korean Feed Association (KFA) and Korean Flour Millers Industry Association (KOFMIA)
a/ FAS/Seoul forecast

Wheat Trade:

The MY 2007/08 wheat import estimate was reduced to 2.7 million metric tons (MMT), down 700,000 MT from last year. The decline is mainly due to slumping imports of feed wheat, while imports of milling wheat are expected to remain steady 2.2 MMT.

Although faced with lower exportable wheat supplies, Australian milling wheat suppliers are expected to focus their attention on Korea and continue to supply about 1.0 MMT during MY 2007/08. Meanwhile, imports of U.S. milling wheat are forecast to remain unchanged from the previous forecast at 1.2 MMT.

According to trade and sales contract data, imports of feed wheat are forecast to fall to 500,000 MT in MY 2007/08, down nearly 50 percent from last year. According to importers, the majority of feed wheat contracts for delivery in MY 2007/08 were made on an optional origin basis with the remainder identifying China as the contracted supplier. Additionally, no new feed wheat contracts have been made since June 2007.

Korea: Wheat Imports (1,000 MT, Customs Cleared Basis)			
Marketing Year (July/June)	Feed	Flour	Total
05/06	1,536	2,220	3,756
06/07	976	2,298	3,274
07/08 a/	500	2,200	2,700

a/ FAS Seoul forecast
Source: Korea Customs Service

Korea: Feed Wheat Contracts by Estimated Time of Arrival (ETA) (Unit: 1,000 MT, as of October 31, 2007)		
ETA	Quantity	Price (US$/MT)[1/]
Jul. 2007	184	211
Aug.	110	212
Sep.	165	210
Oct.	55	234
Total	514	

Source: Local Grain Traders
1/ CNF Korea in average.

Flour Trade:
In contrast to wheat, flour imports have been climbing steadily for the past several years. In MY 2006/07, imports of wheat flour reached 50,560 MT. Canada supplies more than half of all imported flour, while imports of U.S. flour account for a small fraction of the overall total. The growth in flour trade is in part due to the difference between bulk and container freight prices, which makes imported flour price competitive with domestically milled flour. According to a local trader, container price is about $25-35 per MT, whereas the bulk price is more than 6 times higher at $165-175 per MT.

The PSD does not currently include flour imports. However, Post will consider including these figures should flour imports continue to grow to more sizable levels.

Korean wheat flour exports in MY 2006/07 were nearly 62,000 MT, or 83,000 MT on a wheat grain equivalent basis. Japan has been a major importer of Korean wheat flour. The flour is mixed with sugar to avoid paying the higher Japanese import duty. Wheat flour exports are included in the PSD statistics.

Korea: Wheat Flour Imports (Metric Ton, Marketing Year (July/June))					
Country	MY2002	MY2003	MY2004	MY2005	MY2006
U.S.A.	878	955	909	315	594
Canada	85	2,455	10,690	16,416	28,595
Australia	190	40	72	1,250	2,510
China	1,056	3,519	7,081	8,510	12,037
Others	557	879	2,135	3,272	6,824
Total	2,766	7,848	20,887	29,763	50,560

Source: Korea Customs Service (KCS)

Wheat PSD

PSD Table										
Country	Korea, Republic of									
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	2	2	2	2	2	2	2	2	2	(1000 HA)
Beginning Stocks	936	608	608	834	659	659	892	655	621	(1000 MT)
Production	8	7	7	6	6	6	5	5	5	(1000 MT)
MY Imports	3884	3756	3756	3439	3350	3274	3400	3400	2700	(1000 MT)
TY Imports	3884	3756	3756	3439	3350	3274	3400	3400	2700	(1000 MT)
TY Imp. from U.S.	1092	1170	1170	1125	1300	1186	0	1300	1200	(1000 MT)
Total Supply	4828	4371	4371	4279	4015	3939	4297	4060	3326	(1000 MT)
MY Exports	94	93	93	87	100	83	125	100	80	(1000 MT)
TY Exports	94	93	93	87	100	83	125	100	80	(1000 MT)
Feed Consumption	1535	1435	1435	900	1000	1063	900	1000	600	(1000 MT)
FSI Consumption	2365	2184	2184	2400	2260	2172	2425	2300	2200	(1000 MT)
Total Consumption	3900	3619	3619	3300	3260	3235	3325	3300	2800	(1000 MT)
Ending Stocks	834	659	659	892	655	621	847	660	446	(1000 MT)
Total Distribution	4828	4371	4371	4279	4015	3939	4297	4060	3326	(1000 MT)
Yield	4	3.5	3.5	3	3	3	2.5	2.5	2.5	(MT/HA)

Wheat Import Trade Matrix

Import Trade Matrix			
Country	Korea, Republic of		
Commodi	Wheat		
Time Period	July/June	Units:	1,000 MT
Imports for:	2005		2006
U.S.	1170	U.S.	1186
Others		Others	
Canada	1122	Australia	1019
Australia	949	China	802
Ukraine	413	Canada	215
Brazil	55	Ukraine	51
Bulgaria	28		
China	10		
Total for Others	2577		2087
Others not List	9		1
Grand Total	3756		3274

Korea: MY 2007/08 Monthly Wheat Imports By Origin (1,000 MT, based on Customs Clearance)						
Country	U. S.	Australia	Canada	China	Other	Total
Milling Wheat						
2006 July	64	77	1	0	1	143
August	108	76	22	0	0	206
September	104	40	0	0	0	144
Total	**276**	**193**	**23**	**0**	**1**	**493**
Feed Wheat						
2006 July	0	0	0	131	0	131
August	0	0	0	92	0	92
September	0	0	0	103	0	103
Total	**0**	**0**		**326**	**0**	**326**
Total Wheat						
2006 July	64	77	1	131	1	274
August	108	76	22	92	0	298
September	104	40	0	103	0	247
Total	**276**	**193**	**23**	**326**	**1**	**819**

Source: Korea Customs Service

Korea: Monthly Wheat Use (1,000 MT)				
Month	Feed Wheat		Milling Wheat a/	
	MY 2006/07	MY 2007/08	MY 2006/07	MY 2007/08
July	114	101	187	166
August	101	92	193	191
September	90	89	205	172
Subtotal	**305**	**282**	**585**	**529**
October	78	Na	172	Na
November	78	Na	206	Na
December	86	Na	213	Na
January	84	Na	207	Na
February	81	Na	153	Na
March	85	Na	158	Na
April	81	Na	154	Na
May	89	Na	170	Na
June	96	Na	171	Na
Total	**1,063**	Na	**2,189**	Na

Source: KFA and KOFMIA

a/ Milling wheat use data includes wheat flour exports, but excludes the portion used in soy-sauce production

CORN

Consumption:

Total corn consumption for MY 2007/08 is forecast to remain steady at 8.8 MMT, with imported feed corn accounting for 7.0 MMT of the total. Processing corn consumption is likewise expected to remain relatively unchanged at 1.8 MMT.

Feed corn is the principal ingredient used in compound livestock feed production, and accounts for 40-45 percent of total compound feed ingredients. This ratio is expected to remain fairly constant given the current demands of the domestic livestock industry. Compound feed consumption for MY 2007/08 is expected to remain steady at 16.0 MMT as livestock inventories are expected to flatten.[1]

The volume of feed corn used in compound animal feed has increased roughly 500,000 MT in recent years due to declining imports of feed wheat. While feed wheat imports are expected to fall by 400,000 MT this year, feed corn imports are expected to hold steady at 7.0 MMT as feed manufacturers substitute less expensive ingredients such as DDGS, tapioca and other vegetable proteins.

<table>
<tr><th colspan="5">Korea: Feed Ingredient Use for Compound Feed Production
(October/September, 1,000 MT)</th></tr>
<tr><td>Items</td><td>MY 2004/05</td><td>MY 2005/06</td><td>MY 2006/07</td><td>MY 2007/08 a/</td></tr>
<tr><td>Sub. Total Grains and Grain Substitutes</td><td>9,891</td><td>10,118</td><td>10,184</td><td>10,000</td></tr>
<tr><td>- Wheat</td><td>1,153</td><td>1,440</td><td>1,037</td><td>600</td></tr>
<tr><td>- Corn</td><td>6,619</td><td>6,510</td><td>6,914</td><td>7,000</td></tr>
<tr><td>-Barley</td><td>25</td><td>27</td><td>29</td><td rowspan="2">2,400</td></tr>
<tr><td>- Other Grains and Grain Substitute</td><td>2,094</td><td>2,141</td><td>2,204</td></tr>
<tr><td>Others b/</td><td>5,219</td><td>5,351</td><td>5,838</td><td>6,000</td></tr>
<tr><td>Grand Total</td><td>15,110</td><td>15,469</td><td>16,022</td><td>16,000</td></tr>
</table>

Source: Korea Feed Association (KFA)
a/ FAS Seoul forecast.
b/ includes vegetable protein meal, animal protein, minerals/additives, tallow and molasses.

Corn Trade:

The total corn import forecast for MY 2007/08 is revised downward to 8.8 MMT, which is 300,000 MT lower than the previous estimate. The expected decrease of 3 percent is attributed to record-level corn prices. Nevertheless, the revised corn import estimate is still slightly above import volumes recorded in MY 2006/07.

Importers have reportedly contracted for 2.8 MMT of corn deliveries from October to January 2008, while contracts for February and March 2008 delivery remain open. U.S. corn accounts for 45 percent (1.26 MMT), of total corn contracts. Meanwhile, Chinese corn contracts represent 6 percent (0.17 MMT) of all contracts. The remaining contracts, totaling 49 percent (1.38 MMT) of the total, are optional origin contracts.

[1] See Annual Livestock Report, Oct 2007 (KS7062) for more information on livestock inventories. http://www.fas.usda.gov/gainfiles/200710/146292697.pdf

Korea: Corn Contracts by Estimated Time of Arrival (ETA) (Unit: 1,000 MT, as of October 29, 2007)					
ETA	U.S.	China	SOAM 1/	Others 2/	Total
Oct. 2007	330	165	0	220	715
Nov.	440	0	0	330	770
Dec.	275	0	0	275	550
Jan. 2008	100	0	0	395	495
Feb.	55	0	0	110	165
Mar.	55	0	0	55	110
Total	**1,255**	**165**	**0**	**1,385**	**2,805**

Source: Local Grain Traders
1/ South American Countries
2/ Includes optional origins

Imports of feed corn for MY 2007/08 imports are forecast slightly up from last year at 7 MMT due to lower feed wheat imports. The United States is expected to continue as the single largest feed corn supplier. The U.S. feed corn import forecast for MY 2007/08 remains unchanged from last year at 4.2 MMT. However, imports of U.S. origin feed corn could climb as high as 6 MMT, depending on the availability of Chinese corn.

In contrast, processing corn imports have decreased more than 5 percent from the previous year due to weakened demand for processed corn products and tougher competition with Chinese corn products, such as starch and syrup. China and Brazil are expected to remain the major suppliers for processing corn given their respective price competiveness for non-GMO corn. For example, in MY 2006/07, the annual average CIF price for U.S.-origin non-GMO corn was $230/MT, while Chinese and Brazilian origin corn was more than $30/MT cheaper. This price difference is expected to continue to increase after Korea implements new biotech import requirements explained in the following section.

Korea: Imported Corn Price Comparison per Origin (US$/MT, Annual Average CIF)			
Feed Corn	MY04/05	MY05/06	MY06/07
U.S.	153	138	197
China	140	134	185
Argentina	144	136	198
Brazil	167	na	182
Food Corn			
U.S. 1/	197	154	230
China	145	141	186
Brazil	170	154	197

Source: Korea Customs Service
1/ Non-GMO

Cartagena Biosafety Protocol Implementation:
On January 1, 2008, Korea intends to implement the Living Modified Organism (LMO) Act in order to become a member of the Cartagena Protocol on Biosafety (CPB). The LMO Act includes new export documentation requirements for imports of LMOs, which will apply to imports of U.S. GM corn and soybeans. The Korean feed industry is currently working with the Korean government to clarify the scope and intent of these new requirements.

Corn PSD

PSD Table										
Country	**Korea, Republic of**									
Commodity	**Corn**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	15	15	15	14	14	14	12	12	12	(1000 HA)
Beginning Stocks	1382	1632	1632	1359	1608	1608	1324	1573	1571	(1000 MT)
Production	73	73	73	65	65	65	55	55	55	(1000 MT)
MY Imports	8483	8482	8482	9000	9200	8731	9100	9100	8800	(1000 MT)
TY Imports	8483	8482	8482	9000	9200	8731	9100	9100	8800	(1000 MT)
TY Imp. from U.S.	5867	5374	5374	0	6000	4186	0	6000	4200	(1000 MT)
Total Supply	9938	10187	10187	10424	10873	10404	10479	10728	10426	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	6510	6510	6510	7000	7200	6914	7100	7100	7000	(1000 MT)
FSI Consumption	2069	2069	2069	2100	2100	1919	2100	2100	1870	(1000 MT)
Total Consumption	8579	8579	8579	9100	9300	8833	9200	9200	8870	(1000 MT)
Ending Stocks	1359	1608	1608	1324	1573	1571	1279	1528	1556	(1000 MT)
Total Distribution	9938	10187	10187	10424	10873	10404	10479	10728	10426	(1000 MT)
Yield	4.866667	4.866667	4.866667	4.642857	4.642857	4.642857	4.583333	4.583333	4.583333	(MT/HA)

Corn Import Trade Matrix

Import Trade Matrix			
Country	Korea, Republic of		
Commodi	Corn		
Time Period	Oct/Sept	Units:	1,000MT
Imports for:	2005		**2006**
U.S.	5374	U.S.	4186
Others		Others	
China	2701	China	3295
Brazil	406	Brazil	946
		Argentina	256
Total for Others	3107		4497
Others not List	1		48
Grand Total	8482		8731

Korea: Corn Imports (1,000MT, Customs Cleared Basis)							
Marketing Year	From World			From the U. S.			U. S. Share
	Feed	Ind.	Total	Feed	Ind.	Total	%
93/94	4,049	1,647	5,696	199	181	380	7
94/95	6,463	1,760	8,223	6,192	1,420	7,612	93
95/96	7,166	1,797	8,963	6,855	1,699	8,554	95
96/97	6,455	1,881	8,336	3,869	1,629	5,498	66
97/98	5,755	1,773	7,528	1,610	1,699	3,309	44
98/99	5,593	1,921	7,514	4,543	1,891	6,434	86
99/00	6,618	2,060	8,678	1,610	1,620	3,230	37
00/01	6,568	2,155	8,723	2,169	1,120	3,289	38
01/02	6,474	2,128	8,602	1,487	111	1,598	19
02/03	6,657	2,137	8,794	306	24	330	4
03/04	6,659	2,117	8,776	2,921	336	3,257	37
04/05	6,739	1,895	8,634	2,303	190	2,493	29
05/06	6,507	1,975	8,482	4,813	561	5,374	63
06/07	6,860	1,871	8,731	4,036	150	4,186	48
07/08 a/	7,000	1,800	8,800	4,000	200	4,200	48

Source: FAS Seoul
a/ FAS/Seoul forecast.

Korea: Total Corn Utilization (Oct./Sept., 1,000 MT)				
Marketing Year	Feed	Processing a/	Food b/	Total
1997/98	5,875	1,715	83	7,673
1998/99	5,560	1,886	80	7,526
1999/00	6,541	2,004	79	8,624
2000/01	6,460	2,092	64	8,616
2001/02	6,584	2,094	57	8,735
2002/03	6,569	2,145	68	8,782
2003/04	6,614	2,057	51	8,722
2004/05	6,619	1,966	81	8,666
2005/06	6,510	1,996	73	8,579
2006/07	6,931	1,856	63	8,850
2007/08 c/	7,000	1,800	70	8,870

Source: Korean Feed Association (KFA), Korea Corn Processing Industry Association (KOCPIA)
a/ Used for wet and dry milling process based on imported corn.
b/ For on-farm human consumption (on-the-cob) or snack food consumed on-the-cob, as puffed kernels or as corn tea. Imported white corn for popping has been included since MY 2004.
c/ FAS Seoul forecast.

Korea: Feed Ingredient Use for MY2005-MY2006 (1,000 MT)						
INGREDIENT	MY2005/2006			MY2006/2007		
	TOTAL	DOM 1/	%	TOTAL	DOM 1/	%
GRAINS						
CORN	6,510	17	42	6,914	15	43
SORGHUM	-	-	-	-	-	0
WHEAT	1,440	5	9	1,037	13	6
BARLEY	27	-	0	29	14	0
RYE	-	-	-	-	-	0
OATS	4	3	-	3	2	0
GSP/BROKEN GRAIN	70	70	1	67	67	0
TAPIOCA	99	-	1	260	4	2
LUPIN SEED	244	15	2	58	5	0
OTHERS	94	86	1	105	100	1
SUB TOTAL	**8,488**	**196**	**55**	**8,473**	**220**	**53**
GRAIN BY-PRODUCTS						
WHEAT BRAN	796	469	5	741	430	5
RICE BRAN	160	160	1	174	174	1
BARLEY BRAN	2	2	-	2	2	0
CORN BRAN	1	1	-	-	-	0
GLUTEN FEED	446	392	3	542	417	3
OTHERS	225	183	2	252	204	2
SUB TOTAL	**1,630**	**1,207**	**11**	**1,711**	**1,227**	**11**
ANIMAL PROTEIN						
FISH MEAL	37	26	0	26	17	0
MEAT & BONE MEAL	18	18	0	17	17	0
OTHERS	68	67	0	78	78	0
SUB TOTAL	**123**	**111**	**1**	**121**	**112**	**1**
VEGETABLE PROTEIN						
SOYBEAN MEAL	2,223	619	14	2,458	665	15
RAPESEED MEAL	244	1	2	333	1	2
SESAMESEED MEAL	17	17	0	17	17	0
PERILLA SEED MEAL	8	8	0	8	8	0
CORN GLUTEN MEAL	104	98	1	97	88	1
COTTONSEED MEAL	29	3	0	25	3	0
PARM KERNEL MEAL	352	8	2	418	8	3
COPRA MEAL	440	10	3	315	7	2
OTHERS	202	167	1	349	241	2
SUB TOTAL	**3,619**	**931**	**23**	**4,020**	**1,038**	**25**
ADDITIVES/MINERALS						
CALCIUM PHOSPHATE	114	99	1	111	90	1
LIMESTONE	367	367	2	374	374	2
SALT	55	55	0	58	56	0
OTHER	191	186	1	198	196	1
SUB TOTAL	**727**	**707**	**5**	**741**	**716**	**5**
OTHER INGREDIENTS						

TALLOW	338	316	2	360	328	2
MOLASSES	355	184	2	388	193	2
UREA	2	2	-	1	1	0
OTHER	187	160	1	207	194	1
SUB TOTAL	**882**	**662**	**6**	**956**	**716**	**6**
GRAND TOTAL	**15,469**	**3,814**	**100**	**16,022**	**4,029**	**100**

Source: Korea Feed Association (KFA)
1/ Domestic Products

Korea: Compound Feed Production per Animal (October/September, 1,000 MT)			
Animal Type	MY 2005/06	MY 2006/07	MY 2007/08 a/
Poultry	4,238	4,387	4,400
Swine	5,176	5,319	5,300
Cattle	5,096	5,215	5,300
Others b/	898	989	1,000
Total	15,408	15,910	16,000

Source: Korea Feed Association (KFA)
a/ FAS/ Seoul forecast
b/ include ducks, pet food, rabbit, horse, sheep, deer, quail etc.

RICE

Production:
MAF recently conducted a nationwide survey of 9,000 rice producers to estimate domestic rice production for MY 2007/08. According to the survey results, MAF estimates the rice crop at 4.5 million metric tons (MMT), down nearly 4.0 percent from last year due to lower yields resulting from heavy rains during the pollination and filling stages in August and September 2007. MAF plans to release a final production estimate in mid November after the rice harvest is completed.

Korea: Rice Area, Yield and Production			
Crop Year	Area (1,000 HA)	Yield (KG/10A)	Production (Milled, 1,000 MT)
2005	980	490	4,768
2006	955	489	4,680
2007 a/	950	474	4,502

a/ Estimate based on government crop survey as of September 15, 2007

In March 2005, the Korean National Assembly revised the Rice Income Compensation Act (RICA) and the Food Grain Management Act. The revisions were aimed at reducing government price supports under the WTO domestic support limits while continuing to provide support for rice farmers. Under the revised RICA, Korean rice farmers receive two income support payments, an area payment and a deficiency payment. In 2007, combined support payments for rice farmers are expected to reach 1.2-1.4 trillion won, which is equivalent to half of the total support payment budget of 2.42 trillion won ($2.56 billion).

Area Payment: This payment is made on a per hectare basis and is calculated using the average area of rice production during the base period 1998-2000. The 2007 area payment is 700,000 won ($586) per hectare, unchanged from 2006.

Deficiency Payment: This payment is 85 percent of the difference between the national-average market price during the 2007 harvest season (Oct-Jan) and the 2007 target price of 2,126 won ($2.23) per Kg (milled rice basis), less the area payment. The 2007 deficiency payment will be set early next year after the national average market price is determined for CY 2007.

Korea: Direct Payment Program for Rice Income Compensation								
Year	Area Payment (A)			Deficiency Payment (B)			Total (Billion Won) (A)+(B)	Government Budget (Billion Won)
	Area (1,000 HA) 1/	Payment (Won/HA)	Total (Billion Won)	Production (1,000 MT) 2/	Payment (Won/Kg)	Total (Billion Won)		
2005	1,024	600,000	614.4	4,586	196.4	900.6	1,515	1,600
2006	1,024	700,000	716.8	4,637	94.2	437	1,153.8	1,942
2007 a/	1,024	700,000	716.8	4,636	Na	Na	1,200-1,400	2,420

Source: FAS/Seoul estimate based on MAF data
1/ Those eligible for payment include farmers, cooperatives, agricultural corporations producing rice on a minimum of 0.1 HA of farmland between Jan 1, 1998 and Dec 31, 2000.
2/ Based on the Olympic average rice yield of 4,880 Kg per hectare from 1999-2003 and the actual cultivated area
a/ forecast

In addition to the RICA support payments, under the Public Storage System for Emergencies (PSSE) program, the Korean government purchases the rice at average market prices during harvest periods (Oct-Dec), and then auctions it to rice middlemen and wholesalers during non-harvest periods. In 2007, the Korean government plans to purchase 432,000 MT (milled basis) or 10 percent of the 2007 crop.

Korea: Government Program for Rice Purchases					
Crop Year	Production (1,000 MT)	Purchase (1,000 MT)	%	Price a/	
				Korean Won/Kg	US$/MT b/
2005	4,768	719	15	2,072	2,023
2006	4,680	504	11	2,027	2,035
2007 c/	4,502	432	10	na	na

Source: Ministry of Agriculture and Forestry (MAF)
a/ #1 grade basis.
b/ Applied exchange rate is on the annual weighted average.
c/ Preliminary

Imports:

Under the 2007 MMA, Korea is expected to purchase 266,269 MT of rice (milled) through international open tenders with delivery in Jan-June 2008. As has been done in the past, the 2007 MMA is divided into seven separate tenders, which are administered by two state trading enterprises, the Korea Agro-Fisheries Trading Corporation (aT) and the Public Procurement Service (PPS). aT conducts five tenders and PPS conducts two tenders exclusively for Chinese-origin brown rice.

Under the MMA agreement, China, the United States, Thailand and Australia were each allocated fixed country specific quotas (CSQs), collectively totaling 205,228 MT (milled). A portion of the CSQ is allocated as table rice, which will continue to grow until the MMA expires at the end of 2014. The CSQ volumes are listed in the table below. In addition to the individual country specific quotas, all countries are eligible to participate in the tendering process for the global quota (GQ) allocations. The GQ allocations are generally limited to different brown rice varieties, short, medium, and long.

Korea: MMA Rice Allocations (MT, milled rice)							
Calendar Year	Total	Global Quota (MFN)	Country Specific Quota (CSQs)				
			Total	USA	China	Thailand	Australia
2005	225,575	20,347a/	205,228	50,076	116,159	29,963	9,030
2006	245,922	49,724b/	205,228	50,076	116,159	29,963	c/
2007	266,269	70,071	205,228	50,076	116,159	29,963	c/

Source: MAF and aT
a/ Global quota allocations: United States 6,104 MT; China 11,192 MT; and Thailand 3,052 MT.
b/ Global quota allocations: United States 13,025 MT; China 23,080 MT; and Thailand 13,619 MT.
c/ Australia CSQ allocation converted to MFN due inability to fulfill quota due to drought conditions.

Country Specific Quotas (CSQs) - The 2007 MMA table rice allocation is 47,928 MT (milled), or 18 percent of the total MMA. In consideration of the past auction results and previous allocation rates, MAF has revised the table rice allocation rates for the 2007 MMA. The U.S. and Chinese allocation remain relatively unchanged at 30 percent and 62 percent, respectively. In contrast, the allocation rate for Thai table rice was adjusted to 4.2 percent, up 1.3 percent from last year.

Meanwhile, although its allocation rate remained unchanged, Australia has announced that it is unable to deliver its 9,030 MT CSQ due the severe drought situation in 2007. In response, MAF has converted the Australian CSQ to a global quota (GQ) allocation, with 2,109 MT as #1 grade medium grain (MG) table rice, and 6,921 MT (milled) of #3 grade long grain brown rice. The United States is expected to be awarded the contract for MG given its current competitive edge.

Based on the previous table rice auction results, Korea raised the percentage of #1 grade U.S. table rice to 70 percent, up from 60 percent from the 2006 MMA. The remaining 30 percent of U.S. table rice will be tendered as #3 grade or better. In comparison, half of Chinese table rice allocation is for #1 grade, while all Thai table rice allocation is for #1 grade.

Global Quota - MAF has allocated the global quota, totaling 70,071 MT, by variety as shown in the table below.

Imports of U.S. rice for MY 2007/08 are forecast at 72,000 MT. This estimate includes the U.S. CSQ, the MG global quota allocation and the converted Australian table rice CSQ. In contrast to last year, three U.S. companies have participated in the rice tendering process as anxiety regarding the LLRice arrival testing requirement has waned. An updated report relating to Korea's existing LLRice testing requirements will be available soon.

Exports:
In May 2007, MAF approved the first ever export of Korean-origin rice. During 2007 (Jan-Sep), Korea has exported 328 MT, of which 291 MT was sold to the United States at an average price of US$ 2,587/MT (FOB). Additionally, South Korea exported 160,500 MT of domestic-origin rice to North Korea last year. Please refer to the following GAIN report for more information: KS7059

Korea: Table Rice Allocation Based on CSQ (MT, milled rice)					
	USA	China	Thailand	Australia	Total
2005	5,504	12,767	3,293	993	22,557
%	24.4	56.6	14.6	4.4	100
2006	10,414	21,500	1,000	1,515a/	34,429
%	30.3	62.4	2.9	4.4	100
2007	14,193	29,626	2,000	2,109a/	47,928
%	29.6	61.8	4.2	4.4	100

Source: MAF
a/ Australia CSQ allocation converted to MFN due inability to fulfill quota due to drought conditions.

Korea: Processing Rice Allocation Based on CSQ (MT, milled rice)					
	USA	China	Thailand	Australia	Total
2005	44,572	103,392	26,670	8,037	182,671
%	24.4	56.6	14.6	4.4	100
2006	39,662	94,659	28,963	7,515a/	170,799
%	23.2	55.4	17	4.4	100
2007	35,883	86,533	27,963	6,921a/	157,300
%	22.8	55.0	17.8	4.4	100

Source: MAF
a/ Australia CSQ allocation converted to MFN due inability to fulfill quota due to drought conditions.

Korea: Global Quota Allocation per Rice Variety (MT, milled rice)				
	Medium Grain	Short Grain	Long Grain	Total
2005	6,104	11,192	3,052	20,347
%	30	55	15	100
2006	13,022	23,083	13,619	49,724
%	26	46	27	100
2007	21,643	32,351	16,077	70,071
%	31	46	23	

Source: MAF

Rice PSD

PSD Table										
Country	Korea, Republic of									
Commodity	Rice, Milled					(1000 HA)(1000 MT)(MT/HA)				
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2005	11/2005		11/2006	11/2006		11/2007	11/2007	MM/YYYY
Area Harvested	980	980	980	955	955	955	950	945	950	(1000 HA)
Beginning Stocks	817	852	852	815	815	815	716	716	716	(1000 MT)
Milled Production	4768	4768	4768	4680	4680	4680	4500	4500	4502	(1000 MT)
Rough Production	6435	6435	6435	6324	6324	6324	6081	6081	6084	(1000 MT)
Milling Rate (.9999)	7409	7409	7409	7400	7400	7400	7400	7400	7400	(1000 MT)
MY Imports	217	217	217	265	255	255	265	266	266	(1000 MT)
TY Imports	231	231	231	265	246	240	265	270	270	(1000 MT)
TY Imp. from U.S.	56	56	56	0	63	63	0	70	72	(1000 MT)
Total Supply	5802	5837	5837	5760	5750	5750	5481	5482	5484	(1000 MT)
MY Exports	221	221	221	160	161	161	150	0	0	(1000 MT)
TY Exports	91	90	90	160	161	161	150	0	0	(1000 MT)
Total Consumption	4766	4801	4801	4884	4873	4873	4749	4800	4800	(1000 MT)
Ending Stocks	815	815	815	716	716	716	582	682	684	(1000 MT)
Total Distribution	5802	5837	5837	5760	5750	5750	5481	5482	5484	(1000 MT)
Yield (Rough)	6.5663	6.566327	6.56633	6.622	6.62199	6.62199	6.4011	6.434921	6.404211	(MT/HA)

Appendix

As of 10/30/07

Korea: 2007 MMA Rice Tender Schedule and Results
(Milled Rice, Metric Ton)

No.	Tender Organi-zation	Bidding Date	Specs (contracted date)	Quantity, milled (brown)	Delivery	Origin (Awarded Price: US$/MT)	Milling Type of import	Quota Type
1	aT	10/11/07 10/25/07	SG #3	32,351 (35,947)	By 2/29/08	CIP	Brown	Global
			MG #3	19,534 (21,704)	By 3/31/08	CIP from Connell/ USA		
			LG #3	9,156 (10,173)	By 2/29/08	CIP		
2	aT	10/18/07 11/6/07	SG #1	14,813	1/16-4/4, 08	CFR from China	Milled	CSQ
			SG #3	14,813	4/6-6/24, 08	CFR from China		
			MG #1 (10/29/07)	9,935	2/23-6/1,08	CFR from ADM/USA		
			MG #3 (10/29/07)	4,258	6/2-30,08	CFR from ADM/USA		
			LG #1	2,000	1/22-5/19,08	CFR from Thailand		
3	aT	10/25/07	SG #3	13,500 (15,000)	By 3/31/08	CIP from China	Brown	CSQ
			MG #3	18,000 (20,000)	By 4/30/08	CIP from ADM/USA		
			LG #3	14,463 (16,070)	By 4/30/08	CIP form Thailand		
4	PPS	11/1/07	SG #3	18,000 (20,000)	By 5/15/08	CIP from China	Brown	CSQ
				18,000 20,000)	By 5/15/08			
5	aT	11/8/06	SG #3	10,033 (11,148)	By 5/31/08	CIP from China	Brown	CSQ
			MG #3	17,833 (19,870)	By 5/31/08	CIP from USA		
			LG #3	13,500 (15,000)	By 5/31/08	CIP from Thailand		
6	PPS	11/15/06	SG #3	13,500 (15,000)	By 5/15/08	CIP from China	Brown	CSQ
				13,500 (15,000				
7	aT 1/	TBD	MG #1	2,110		CFR	Milled	GQ
			LG #3	6,920 (7,689)		CIP	Brown	
Total				266,269				

Source: Ministry of Agriculture and Forestry (MAF)
Note: Milling rate for milled rice is applicable at 90 percent of brown rice.
LG denotes long grain, SG short grain and MG medium grain.
aT stands for Korean Agro-Fishery Trade Corporation.
PPS stands for Public Procurement Service for Republic of Korea.
CIP: Carriage and insurance Paid to
CFR: Cost and Freight
1/ aT plans to announce tender invitation on November 2, 2007

Allocated quantities per delivery period for U.S. table rice of 14,193MT

Commodity	Total bidding quantity (MT)	Quantity (MT)	Delivery Period
U.S. #1 Medium Grain	9,935	1,424	2/23-3/1, 2008
		1,056	3/8-15, 2008
		1,056	3/22-29, 2008
		1,232	4/5-12, 2008
		1,440	4/19-26, 2008
		1,440	5/3-10, 2008
		1,232	5/17-24, 2008
		1,055	5/25-6/1, 2008
U.S. #3 Medium Grain	4,258	1,440	6/2-9, 2008
		1,440	6/12-19, 2008
		1,378	6/23-30, 2008

Korea: Allocation of the MMA for 2005-2014
(MT, milled rice)

Calendar Year	Total	Global Quota	Country Specific Quota (CSQs)				
			Total	USA	China	Thailand	Australia
2005	225,575	20,347a/	205,228	50,076	116,159	29,963	9,030
2006	245,922	49,724b/	205,228	50,076	116,159	29,963	c/
2007	266,269	70,071	205,228	50,076	116,159	29,963	c/
2008	286,616	81,388	205,228	50,076	116,159	29,963	9,030
2009	306,963	101,735	205,228	50,076	116,159	29,963	9,030
2010	327,310	122,082	205,228	50,076	116,159	29,963	9,030
2011	347,657	142,429	205,228	50,076	116,159	29,963	9,030
2012	368,004	162,776	205,228	50,076	116,159	29,963	9,030
2013	388,351	183,123	205,228	50,076	116,159	29,963	9,030
2014	408,698	203,470	205,228	50,076	116,159	29,963	9,030

Source: MAF and aT
a/ Global quota allocations: United States 6,104 MT; China 11,192 MT; and Thailand 3,052 MT.
b/ Global quota allocations: United States 13,025 MT; China 23,080 MT; and Thailand 13,619 MT.
c/ Australia CSQ allocation converted to MFN due inability to fulfill quota due to drought conditions.

Korea: Import Schedule of Table Rice
(Milled Rice, MT)

Calendar Year	Total	Table Purpose	Rate of Table Rice (%)
2005	225,575	22,558	10
2006	245,922	34,429	14
2007	266,269	47,928	18
2008	286,616	63,056	22
2009	306,963	79,810	26
2010	327,310	98,193	30
2011	347,657	104,297	30
2012	368,004	110,401	30
2013	388,351	116,505	30
2014	408,698	122,609	30

Source: MAF

Korea: Rice allocation per Country on the buying tender under MMA (Milled basis, MT)							
Calendar Year	MMA Quota	U.S.A.	China	Thailand	India	Vietnam	Australia
1995	51,307	0	0	0	51,307	0	0
1996	64,134	0	64,134	0	0	0	0
1997	76,961	0	58,961	18,000	0	0	0
1998	89,787	0	83,478	6,300	0	0	0
1999	102,614	0	80,114	13,500	0	9,000	0
2000	102,614	0	84,614	18,000	0	0	0
2001	128,268	27,000	63,000	18,000	0	0	20,268
2002	153,921	36,000	95,421	22,500	0	0	0
2003	179,575	49,500	103,075	27,000	0	0	0
2004	205,228	58,500	117,028	29,700	0	0	0
2005	225,575	56,179	127,351	33,015	0	0	9,030
2006	245,922	63,101	145,343	37,478	0	0	0
Total	1,625,906	290,280	1,022,528	223,493	51,307	9,000	29,298

Source: FAS/Seoul